



State of California
Employment Training Panel

Training Proposal for:
Sears Logistics Services, Inc.

Agreement Number: ET09-0245

Panel Meeting of: **October 17, 2008**

ETP Regional Office: **Sacramento**

Analyst: K. Ohta

PROJECT PROFILE

Contract
Type: Job Creation
SET/HUA - Retrainee

Industry
Sector(s): Services

Counties
Served: San Joaquin

Repeat
Contractor: ☒ Yes ☐ No

Union(s): ☐ Yes ☒ No

Priority
Industry: ☐ Yes ☒ No

No. Employees in CA: 9,000

No. Employees Worldwide: 90,000

Turnover Rate %	Manager/ Supervisor %
≤20%	N/A

FUNDING DETAIL

Program Costs	Substantial Contribution	Total ETP Funding
\$190,400	\$0	\$190,400

In-Kind Contribution
\$195,000

TRAINING PLAN TABLE

Job No.	Job Description	Type of Training	Average No. of Trainees	Range of Hours		Average Cost per Trainee	Post-Retention Wage
				Class / Lab	CBT		
1	SET/HUA – Retrainee	Business Skills Commercial Skills Computer Skills	63	24 - 180	0	\$2,380	\$12.50
				Weighted Avg: 140			
2	SET/HUA – Retrainee	Business Skills Commercial Skills Computer Skills	10	24 - 180	0	\$2,380	\$11.50
				Weighted Avg: 140			
3	SET/HUA – Retrainee	Business Skills Commercial Skills Computer Skills	7	24 - 180	0	\$2,380	\$23.36
				Weighted Avg: 140			

Minimum Wage by County: ETP Minimum Wage for San Joaquin County: \$12.85

Health Benefits: ☒ Yes ☐ No This is employer share of cost for healthcare premiums – medical, dental, vision.

Used to meet the Post-Retention Wage?: ☐ Yes ☒ No

Although employer provides health benefits they are not being used to meet Post-Retention Wage.

Other Benefits: N/A

Wage Range by Occupation	
Occupation Title	Wage Range
Clerical	
Material Handlers	
Frontline Managers	

INTRODUCTION

In this proposal, Sears Logistics Services, Inc. (SLS or SLS Stockton) seeks funding for retraining as outlined below:

This proposal is for training at the SLS facility in Stockton which opened late last month (July 2008). The 750,000 square foot distribution facility will employ approximately 80 full-time employees.

SLS Stockton will provide internal distribution and warehousing functions on behalf of Sears, Roebuck and Co. stores throughout the Western United States. This is one of the 23 retail replenishment centers operating under the umbrella of SLS.

As a regional distribution facility, SLS Stockton provides warehouse distribution services on an invoice basis. It serves as a storage facility for 120 retail stores and as a stock and inventory control point for products received from 54 vendors.

SLS Stockton qualifies for funding under Title 22, California Code of Regulations, Section 4409 (b), Special Employment Training (SET), for frontline workers in high unemployment areas of the state. This proposal will provide vocational and literacy training to workers in 80 new jobs and will result in further hiring. Overall, it will foster economic expansion in a region that qualifies as a High Unemployment Area.

The company was established in 1886 and incorporated under the laws of New York in 1906, its principal's offices are located in Hoffman Estates, Illinois with full-line and specialty retail stores located throughout the United States and Canada.

Nationwide, SLS serves as the single point of contact for all logistical activities in the Sears Supply Chain, including movement of goods from over 4,500 vendors to more than 860 store locations and over four million home deliveries. Merchandise includes apparel, appliances, electronics, home furnishings, hardware, tires, and repair parts, including on-line sales. The company reports that business is extremely competitive and even small differences in the cost of processing merchandise can translate into thousands of dollars of additional costs or benefits.

The company's primary goal is to promptly and efficiently deliver quality merchandise to satisfy customers' timeliness and cost requirements. New technology and systems are being installed and implemented to help the company be more efficient with a higher operating performance and to provide workers with new skill sets to create a high performance workplace. With the use of new technology and skills, workers will be able to handle more merchandise in less time and with less effort.

SLS Stockton employees will become responsible for managing the increasingly complex logistics related to distribution of a variety of goods coming through the facility. Training will be provided relative to new quality concepts such as Six Sigma related processes. Commercial skills is needed for frontline workers to reach higher levels of performance as they move to more complex job duties that require them to serve new customers and suppliers, both domestic and foreign. Frontline workers will also learn to use the company's technology and website which tracks merchandise orders and interfaces with suppliers and customers. Additionally, trainees will be provided training in manufacturing skills that will allow for the maintenance and security of new equipment and systems. Training by the manufacturer was not included in the purchase price of the new equipment. All training on new equipment will be provided by knowledgeable SLS trainers.

Special Employment Training

As funded under Special Employment Training (SET), the company is not required to demonstrate out-of-state competition and the trainees are not required to meet eligibility standards for retraining. To qualify under SET, trainees must be earning at least the statewide average hourly wage at the end of the retention period. (Unemployment Insurance Code 10214.5. Title 22, CCR, Section 4409(a).)

This proposal has been identified for SET funds because this industry sector does not face out-of-state competition. Also, since the facility just opened its doors last month, the trainees in all three Job Numbers may not meet the 90-day employment history requirement for eligibility purposes. (Unemployment Insurance Code Section 10201(c).)

Request for Wage Modification

The 73 trainees in Job Numbers 1 and 2 work in a High Unemployment Areas (HUA). This is a region with unemployment exceeding the state average by at least 25%, using the unemployment rate set by the Labor Market Information Division of the Employment Development Department. (Title 22, CCR, Section 4429(b).)

SLS Stockton is requesting a modification below the SET Frontline wage for training at its facility in Stockton, which is in a HUA. SLS is requesting \$12.50 per hour as a minimum wage in Job Number 1; and \$11.50 per hour as a minimum wage in Job Number 2, in accordance with Title 22, CCR, Section 4429 (c). This wage is still higher than the minimum HUA wage for San Joaquin County which is \$9.64 per hour.

PROJECT DETAILS

A comprehensive training plan is needed for the newly-opened facility in Stockton. Company representatives state that their primary goals are to enhance trainee's skills/efficiencies and productivity while processing work orders. Additional goals are to demonstrate to employees, through training that proactively upgrades occupational skills, a commitment both to the enhancement of competencies and overall business sustainability.

Trainees must receive the following types of training to start-up the new equipment and ensure ongoing operations:

Business Skills: All employees will receive one or more of the topics for planning/production, warehousing statements, reports, and customer service/configuration. Business skills will provide new employees with the tools to manage the company's inventory system and the technical and industrial skills needed to effectively perform their job duties.

Commercial Skills: Training will be provided to material handlers and frontline managers. These newly-hired individuals must be trained to operate, identify components, set-up, maintain, and calibrate the new equipment. Trainees have no prior experience operating the new equipment or implementing the new systems and procedures and, therefore, require extensive training.

Computer Skills: Training will be provided to clerical and frontline managers in WMS and data collection. The newly-hired individuals must be trained to operate new equipment and software to manage the company's daily business needs.

Laboratory Training

Since most staff are newly-hired, a significant amount of productive laboratory training is necessary to set-up, operate, maintain, and calibrate the new equipment.

During productive laboratory training, the trainer/supervisor is ultimately responsible for product quality. The trainees will be under the direct supervision of a trainer at all times, either individually in a 1:1 ratio or in small groups not to exceed 1:10. The first three months of training will be provided in a non-productive setting. After the machines are installed, trainees will receive a maximum of 10% commercial skills in a productive work environment.

Training Roll-Out

Although the Stockton facility opened in late July 2008, production has not yet begun and only training is being conducted at this time. Company representatives state that products are being brought in from other facilities to provide training to the 80 newly-hired employees.

Commitment to Training

Because this is a new facility, no previous employer-supported training program exists. SLS Stockton will not be receiving any other government funds to offset the cost of this training. The company will be providing the following types of training: employee orientation, sexual harassment prevention, and Cal-OSHA mandated safety training.

SLS Stockton will commit funds to training its employees in all aspects of the distribution process as well as the training needed to become self-sufficient in future launches.

RECOMMENDATION

Staff recommends that the Panel approve the SET/HUA wage modification for Job Numbers 1 and 2. ETP-funded training will assist SLS in launching its new facility in Stockton and will train skilled frontline workers in 80 new jobs.

PRIOR PROJECTS

The last project with this company was more than five years ago.

DEVELOPMENT SERVICES

N/A

ADMINISTRATIVE SERVICES

N/A

TRAINING VENDORS

N/A

Exhibit B: Menu Curriculum

Class/Lab Hours

24 - 180

BUSINESS SKILLS

- ✚ Teambuilding
- ✚ Problem Solving
- ✚ Root Cause Analysis
- ✚ Reporting
- ✚ Improving Workflow
- ✚ Eliminating Waste
- ✚ Quality Control
- ✚ Leadership Skills

COMMERCIAL SKILLS

- ✚ Forklift
- ✚ Inspections
- ✚ Product Handling & Techniques
- ✚ Clamping
- ✚ Razorback
- ✚ Unloading/Loading
- ✚ QA Processes
- ✚ MDO am/pm – Drop Load
- ✚ B2S Load/Multiple Stop Load
- ✚ MDO AM Holding Loading

COMPUTER SKILLS

- ✚ WMS
- ✚ Data Collection